



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

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December 15, 2015

Richard T. Bradley, PE, President
Board of Public Service
1200 Market Street, Room 305
St. Louis, Missouri 63103

RE: Contract Review, 19900 (Project # 2016-CN01)

Dear Mr. Bradley:

The Internal Audit has completed a contract compliance review of the Upper Muny Parking Lot Improvements agreement with Fred Weber, Inc. The purpose of the agreement was to resurface the Upper Muny Parking Lot including striping, installation of lighting bike racks, irrigation system, and landscaping. Enclosed is the report covering the period September 8, 2014, through July 31, 2015. A description of the scope of our work is included in the report.

Fieldwork was completed on October 6, 2015. Management responses to the observations and recommendations noted in the report were received on December 9, 2015 and have been incorporated in the report.

This review was made under the authorization contained in Section 2, Article XV, of the Charter, City of Saint Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Mohammad H. Adil, CPA, CGMA
Internal Audit Supervisor

Enclosure:

CC: Thomas A. Behan, PE, Chief Engineer





CITY OF ST. LOUIS

BOARD OF PUBLIC SERVICE

CONTRACT COMPLIANCE REVIEW

**UPPER MUNY PARKING LOT IMPROVEMENTS
FRED WEBER, INC. (19900)**

SEPTEMBER 8, 2014 THROUGH JULY 31, 2015

PROJECT #2016-CN01

DATE ISSUED: DECEMBER 15, 2015

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
CONTRACT COMPLIANCE REVIEW
FRED WEBER, INC.
UPPER MUNY PARKING LOT IMPROVEMENTS (19900)
SEPTEMBER 8, 2014 THROUGH JULY 31, 2015**

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CITY OF ST. LOUIS
CONTRACT COMPLIANCE REVIEW
FRED WEBER, INC.
UPPER MUNY PARKING LOT IMPROVEMENTS (19900)
SEPTEMBER 8, 2014 THROUGH JULY 31, 2015

SUMMARY

Background

The Upper Muny Parking Lot Improvement contract was awarded by the Board of Public Service (BPS) to Fred Weber, Inc. (the Contractor) on September 8, 2014, with a start date of September 15, 2014 and completion date of March 14, 2015. The purpose of the contract was re-surfacing, striping, installation of bike racks, electrical for light poles, landscaping, and an irrigation system.

The contract was a unit price contract with a total cost of \$2,577,460. The City granted an extension of time in Change Order #3 and took substantial completion as of June 12, 2015. The change orders to date did not increase the original contract cost. The total amount paid as of the audit fieldwork completion date was \$2,361,835.54.

Purpose

The purpose of our contract review was to determine if the Contractor complied with the terms, conditions and various provisions of the contract.

Scope and Methodology

Inquiries were made and test procedures were performed related to the Contractor's compliance with the contract. The scope of the review was from September 8, 2014 through July 31, 2015.

Conclusion

The Chief Engineer and the Project Engineer were very cooperative during this review. They were highly organized and responsive to the audit requests, and the change order documentation was at a high level. However, the opportunity exists to improve internal controls over the Contractor's and subcontractor's compliance with the contract and the terms of the contract need to be updated.

Current Observations

We note the following observations and opportunities for improvement:

1. Retainage Amount
2. Business License and City Payroll Tax verification
3. Insurance requirements

These observations are discussed in more detail in the *Detailed Observations and Recommendations* section of this report.

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SUMMARY

Management Response

An exit conference was conducted with the BPS on October 28, 2015. The Chief Engineer from the BPS attended the exit with the Internal Audit Supervisor and the Contract Auditor from the Internal Audit.

The report observations and recommendations were discussed in detail at the exit conference.

The management of BPS provided written responses to the Internal Audit on December 9, 2015, which have been incorporated in this report.

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

1. Retainage Amount

The contract called for a 10% retainage but only 5% retainage was actually applied. The City Chief Engineer responded that the contract wording was out-of-date since the City's new guidelines which became operative August 8, 2014 under Missouri law reduced the amount of retainage to 5%.

Recommendation

Internal Audit recommends that BPS review and ensure the correct retainage amount is incorporated in all current contracts.

Management response

BPS has incorporated language in all contracts indicating retainage at 5% in compliance with the Missouri Law.

2. Business License and City Payroll Tax verification

Two (2) of the twelve (12) subcontractors, K-B Fischer Plumbing and Byrne & Jones, did not provide documentation to prove that they were up to date with their business licenses and payroll and earnings taxes.

Recommendation

Internal Audit recommends that the Board of Public Service obtain updated license and payroll tax information from the two subcontractors before the close-out of the project.

Management response

BPS runs checks for tax and license for the general contractor and all subcontractors who work on the project. These were apparently missed on this project. The status for K-B Fischer Plumbing and for Byrne & Jones has been checked and verified as being current. Measures are being taken to assure that we have copies of the verifications for the general contractor and each subcontractor in the project files.

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

3. Insurance Requirements

The contract did not include specific insurance requirements for the contractor and subcontractors, as part of the standard construction contract language.

Recommendation

Internal Audit recommends that BPS include specific insurance requirements as part of the standard construction contract language. The requirements should specify minimum coverage limits, types of coverage including Builder's Risk, and naming the City as an Additional Insured.

Management response

The bond and insurance provisions are included in the INFORMATION FOR BIDDERS, SECTION 9-INSURANCE & INDEMNIFICATION, of the Specifications. The contract document provides that "The approved drawings furnished herewith, together with the general conditions and specifications attached hereto, form a part of this contract...."